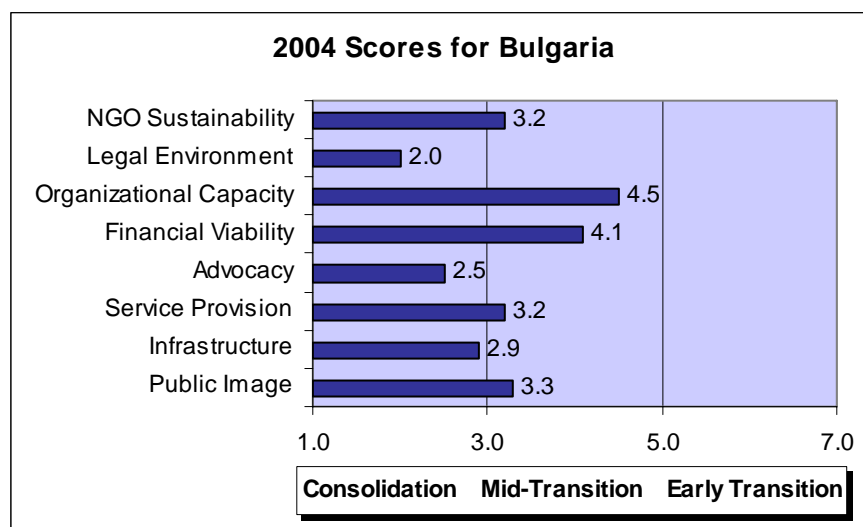


BULGARIA



Capital: Sofia

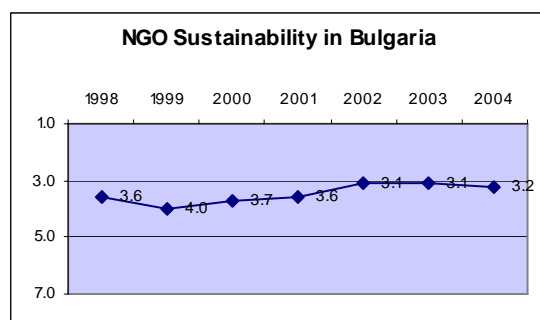
Polity: Parliamentary democracy

Population:
7,500,000

GDP per capita (PPP): \$7,600

NGO SUSTAINABILITY: 3.2

In 2004, there were 8,000 NGOs in Bulgaria, approximately 2,000 of which were active. The NGO sector continues to expand its scope as organizations represent citizen interests in shaping public policy and provide needed services to marginalized communities. NGOs developed stronger partnerships with the government, business community, and media, and are finally appreciated and sought after for partnerships in various activities.



One trend over the past year has been the sector's increased focus on community

development in the more marginalized, poorer regions of the country. These efforts, however, are weakened by the withdrawal of foreign funding. The NGO sector has been dependent on foreign donors for many years. The decrease of their financial support has caught even the most secure NGOs off guard and created instability among organizations that have been developing expertise and organizational capacity since the 1990s.

These instabilities are reflected in this year's Sustainability Index Scores, as the overall NGO Sustainability fell score slightly. Before this year, the NGO sector had positioned itself to move from the Mid-transition to the Consolidation phase, but setbacks in the Financial Viability and Infrastructure dimensions offset any progress that was made in other dimensions.

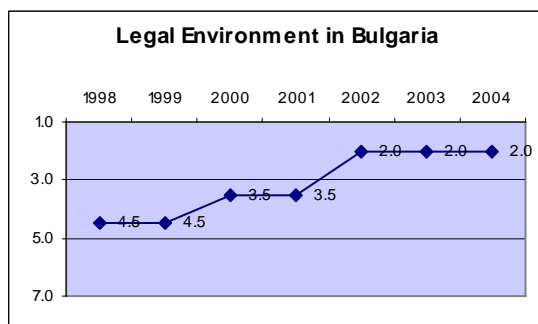
Bulgaria has recently become a full member of the North Atlantic Treaty

Organization, and will soon be a member of the European Union. NGOs ought to take advantage of these new opportunities by institutionalizing their achievements and realizing their potential role in society.

But to achieve their potential and remain stable, Bulgarian NGOs must continue strengthening and diversifying their funding through local philanthropy and other resources.

LEGAL ENVIRONMENT: 2.0

The Law on Legal Persons with Nonprofit Purposes, which came into effect in 2000, has created a legal environment that is generally supportive of NGO development. Despite a few complaints about the registration fee, the law does not pose any real barriers for those seeking registration as non-profit organizations. The few problems concerning the law relate to implementation. Examples include delays in processing applications and the lack of government officials competent to administer the law. While the law is generally supportive of NGO activities and management, reporting requirements remain excessive. NGOs are not distinguished from for-profit entities and are often required to file separate reports with the courts, tax authorities, census bureau, and social insurance agency.



Despite the supportive legal environment, NGOs are not adequately protected from government harassment and political pressures. NGOs that openly criticize

authorities risk exclusion from government programs or administrative problems. This year, the Center for Independent Life, one of Bulgaria's leading NGOs, was subjected to administrative inspections after openly criticizing the Ministry of Labor and Social Policy. Similarly, the Democracy Foundation was illegally audited by the State Financial Control Agency, which does not have the power to conduct audits, after it publicly criticized the agency.

Though incentives to encourage corporate and individual philanthropy exist, the NGO sector has yet to develop significant local philanthropy or financial independence. The most important development in 2004 was that amendments permitting government bodies to contract out services to NGOs came into effect. Few organizations benefited this year due to state and municipal implementation problems, but the NGO sector has greater hope for accessing funding through municipal governments in 2005.

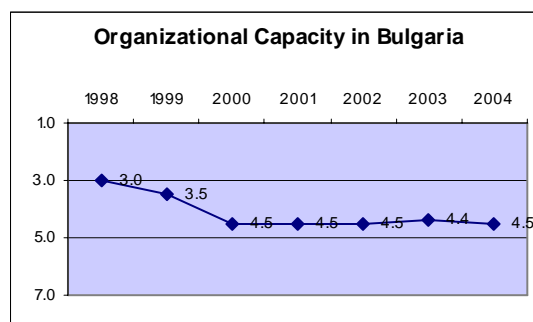
Access to NGO legal assistance is increasing, but services in small towns and rural areas are still limited. The Bulgarian Center for Not-for-Profit Law is building a network of legal resource centers around the country to address this problem. However, Bulgaria still lacks means to provide the legal consultations necessary to satisfy the existing demand.

ORGANIZATIONAL CAPACITY: 4.5

Despite the increase in available expertise and greater awareness of best practices, NGO organizational capacity remains weak. Even the most developed NGOs employ good organizational practices only when necessary for project implementation or when subjected to regular audits. A contributing factor is the decrease of foreign funding, which interferes with NGOs' ability to invest in their organizational structures.

Bulgarian NGOs generally lack formal organizational structures, and still manage and govern their organizations informally. Similarly, organizations have yet to engage in strategic planning or adhere to the objectives and mission statements set forth in their Articles of Association. Only a few NGOs have made efforts to develop their human resources. As a result, professionals and experts often leave the NGO sector for jobs in the better organized and more stable corporate and public administration sectors. With few

permanent paid staff, NGOs are often left to rely on volunteers. However, weak recruitment programs and the absence of regulations on volunteer labor have resulted in a stagnation of volunteer levels since the early 1990s.



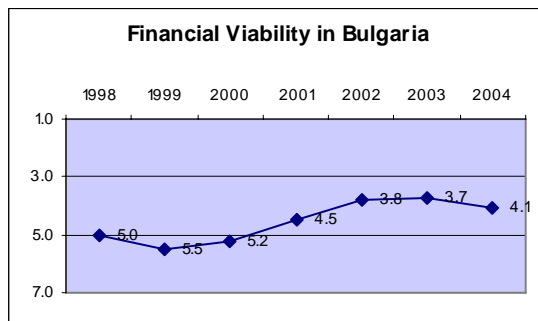
The only really significant change in organizational capacity is access to equipment and technology. Even though foreign donors no longer fund institutional expenses, organizations have managed to acquire modern office equipment, software, and internet access.

FINANCIAL VIABILITY: 4.1

The biggest issue in the NGO sector over the past year has been the decrease of foreign funding, which has caused instability among even the most solid and well-established organizations. Donors like USAID and the Open Society Institute, who once built up and supported the NGO sector, do not have the presence they once did. PHARE funding under the EU Civil Society Program now requires greater financial contributions from grantees, and despite increasing overhead costs, offers fewer grants for operational expenses. NGOs are forced to rely more

on local philanthropy and government funding, especially from state-managed programs. Though such funding has increased and other funding efforts have been fruitful, these sources are not yet sufficient to cover the loss of support from foreign donors. Even organizations that were once strong and stable are finding it hard to adapt to the new funding environment.

2004 NGO SUSTAINABILITY INDEX

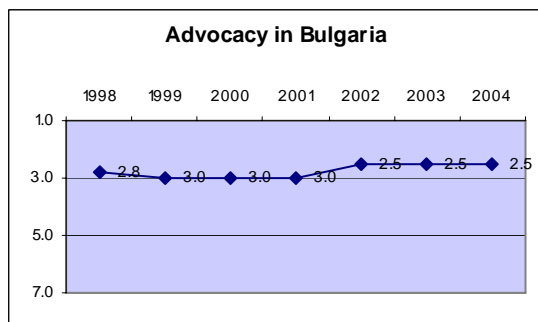


A few NGOs have started to be more creative in their fundraising. Some organizations are starting community funds to attract local resources, while others are building partnerships with local authorities and developing projects with the Ministries of Labor and Social Services, Regional Development, and Environment. Some

organizations look to the business community for funding, although success has been limited to unions and business associations with members that pay annual fees. NGOs have tried to use fundraising campaigns to get the general public more involved in their work. Many NGOs are engaging in economic activities and charging fees for services, but are hampered by competition from other organizations and an unwelcoming business community that does not want added competition. Despite all of these efforts and advances, most NGOs still search for adequate funding alternatives and fundraise for survival rather than for the organization's development.

ADVOCACY: 2.5

The NGO sector plays a key role in shaping the public agenda and implementing public policy at both the local and national levels. NGOs are trying to fortify their role by formalizing their relationships with government and creating mechanisms for continued participation and information sharing. Accession into the EU will aid in these efforts as the government harmonizes Bulgarian law with EU law.



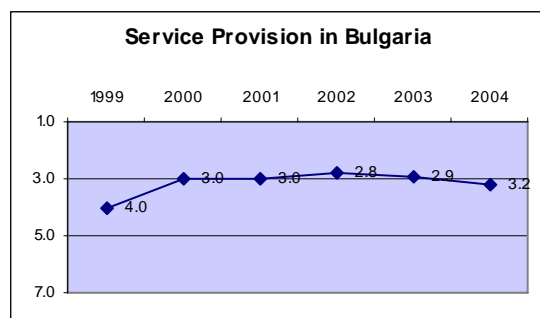
In 2004, advocacy groups were very active in lobbying the legislature and monitoring the executive and judicial branches. NGOs organized one campaign around amendments to the Penal Code. Others used the media and public pressure to counter any efforts by the government to limit their access to information and freedom of speech. However, efforts to enact a Law on Lobbying, which would have created a registration system for all lobbyists, failed again this year. In general, the public continues to perceive lobbying activities as a form of corruption.

The largest obstacle for NGOs developing future advocacy efforts is that donors prefer to invest in community service projects rather than advocacy projects. The lack of support is weakening the effectiveness and power of existing advocacy organizations. Such weaknesses allow government officials to reclaim some of the influence that NGOs have had

on public policy by limiting their access to information and presence in government

proceedings.

SERVICE PROVISION: 3.2

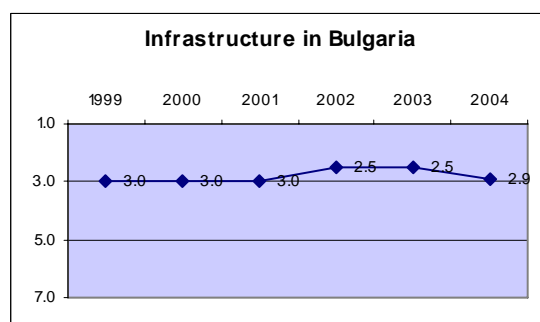


NGOs are developing a wide range of services and an increasing number of government officials and businesses are seeking out their expertise and assistance. The Government, however, still underutilizes the NGO sector in providing basics services such as education, health care, and social development to the large population of marginalized citizens. The parliament passed a law in 2004 that

permits local governments to contract out some basic services. Unfortunately, most municipalities were not aware of the new opportunities and few budgeted for NGO services. There is promise for 2005, as the Ministry of Labor and Social Services and a few municipalities have begun negotiating possible contracts with NGOs.

NGO service providers conduct needs assessments to design programs that reflect their constituents' top priorities. The decreases in foreign funding and lack of local philanthropy, however, have made it difficult for NGOs to operate efficiently or address constituency priorities as they used to do. This has damaged their public image and further limited their fundraising potential, leading to even greater organizational instability.

INFRASTRUCTURE: 2.9



This year, improvements in the infrastructure dimension were offset by fairly significant setbacks. NGOs have a greater appreciation of the importance of exchanging information, and building

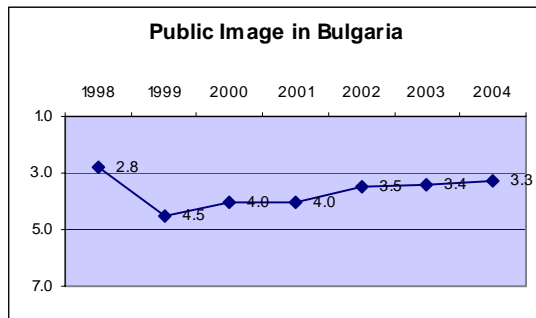
coalitions and networks around common issues. They have also come to appreciate the benefits of partnering with the government, business sector, and media, which are increasingly reaching out to them.

Despite these advances, the once stable and effective network of NGO training facilities is cutting back its services. The shortage of local philanthropy and the decrease in foreign funding has caused resource centers to restructure their programs in order to keep their doors open, depriving NGOs of many valuable services. In addition, NGO associations

established in the mid-1990's have long abandoned their initial missions, as local NGOs have little interest in building long-term partnerships. The smaller

independent community foundations set up to provide services in towns have also been forced to cut back or have closed altogether.

PUBLIC IMAGE: 3.3



Over the past year, the NGO sector has improved its image and reputation with the general public, government, and business community. Better NGO public and media relation skills, as well as publicity from partnerships with the government and business community on successful community development projects, have contributed to this improved image. As a

result of these successes, NGOs have gained reputations as leaders in community development, which in turn, should lead to even more partnerships and government contracts.

As NGOs have become more media-savvy, they are better able to inform the general public of their missions, activities, and successes. Increased knowledge about the media has been particularly important in engaging local media, which has had negative impressions of the sector due to its concentration in the capital. NGOs are providing more services in marginalized communities and local media has been important in publicizing these efforts and building support among NGO constituents.